

Message Text

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67

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 9925

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E. O. 11652: N/A

TAGS: EFIN, BR

SUBJECT: EXPORTS AND INFLATION IN MAY

1. SUMMARY: EXPORTS THROUGH MAY AMOUNTED TO \$3,477 MILLION, UP 40 PERCENT FROM LAST YEAR. UNOFFICIAL ESTIMATES FOR IMPORTS INDICATE THAT THEY HAVE BEEN HOVERING AT ABOUT \$1.0 BILLION PER MONTH. UNDER THIS ASSUMPTION, THE TRADE DEFICIT FOR JANUARY/MAY WOULD HAVE BEEN ABOUT \$1.5 BILLION, AS COMPARED WITH \$2.1 BILLION SAME TIME LAST YEAR. IT NOW APPEARS LIKELY THAT TOTAL EXPORTS IN 1975 WILL FALL IN THE \$9.0-9.5 BILLION RANGE FORECAST BY EMBASSY. INFLATION SLOWS DOWN, WITH THE GUANABARA COST-OF-LIVING INDEX REGISTERING AN INCREASE OF 11.1 PERCENT FOR THE FIRST FIVE MONTHS, AS OPPOSED TO 18.6 PERCENT SAME TIME LAST YEAR. END SUMMARY.

2. ACCORDING TO STATISTICS RELEASED BY CACEX ON JUNE 17, 1975, BRAZIL'S EXPORTS FOR MAY AMOUNTED TO \$720 MILLION, BRINGING THE CUMULATIVE EXPORT TOTAL FOR THE FIRST FIVE MONTHS OF THE YEAR TO

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\$3,477 MILLION. AS COMPARED TO THE SAME PERIOD

LAST YEAR, TOTAL EXPORTS DURING THE JANUARY/MAY PERIOD REGISTERED AN INCREASE OF 40 PERCENT.

3. THE EXPOT BREAKDOWN BY CATEGORIES INDICATES THAT PRIMARY PRODUCTS (MAINLY AGRICULTURAL) CONTINUE TO PROVIDE THE MAJOR THRUST TO EXPORTS THIS YEAR. WITH A TOTAL OF \$1,972 MILLION THROUGH MAY, THESE PRODUCTS WERE UP 55 PERCENT OVER THE SAME PERIOD OF 1974; SUGAR LOOMED VERY LARGE IN THIS PERFORMANCE, WITH AN ABSOLUTE EXPORT TOTAL OF \$622 MILLION, WHICH WAS 220 PERCENT ABOVE LAST YEAR'S; ON THE OTHER HAND, COFFEE, WITH TOTAL RECEIPTS OF \$353 MILLION, WAS DOWN 14 PERCENT. MANUFACTURED PRODUCTS DURING THIS SAME PERIOD TOTALLED \$1,001 MILLION (UP 25 PERCENT) AND SEMI-MANUFACTURED EXPORTS TO \$414 MILLION (UP 30 PERCENT).

4. IMPORT STATISTICS THROUGH MAY ARE NOT AVAILABLE. IF, HOWEVER, NEWSPAPER INDICATIONS ARE CORRECT THAT IMPORTS HAVE BEEN HOVERING AT THE \$1.0 BILLION LEVEL PER MONTH, IMPORTS THROUGH MAY SHOULD HAVE AMOUNTED TO \$5.0 BILLION. UNDER THIS ASSUMPTION, THE TRADE DEFICIT FOR JANUARY/MAY WOULD HAVE BEEN ABOUT \$1.5 BILLION. THE DEFICIT LAST YEAR DURING THIS PERIOD WAS \$2,163 MILLION.

5. ON THE INFLATION FRONT, THERE HAS ALSO BEEN SOME IMPROVEMENT OVER LAST YEAR'S PERFORMANCE. THE GUANAB COST-OF-LIVING INDEX FOR JANUARY/MAY SHOWED A RISE OF 11.1 PERCENT AS COMPARED WITH AN INCREASE OF 18.6 PERCENT FOR THE COMPARABLE PERIOD OF 1974. FOR THE LAST TWELVE MONTHS, INFLATION -- AS MEASURED BY THIS SAME INDEX -- WAS 27.22 PERCENT AS OPPOSED TO 34 PERCENT FOR THE TWELVE-MONTHS PERIOD ENDING DECEMBER 1974. INFLATION, THEREFORE, IS ON A DOWNWARD COURSE.

6. COMMENT: BASED ON THE FIGURES THROUGH MAY, IN ORDER FOR EXPORTS TO REACH THE \$10 MILLION TARGET SET BY THE GOB, THE MONTHLY AVERAGE OF EXPORTS WOULD LIMITED OFFICIAL USE

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HAVE TO BE ABOUT \$930 MILLION FOR THE REMAINING SEVEN MONTHS OF THE YEAR, AS COMPARED TO THE \$700 MILLION AVERAGE FOR JANUARY/MAY. BECAUSE OF SEASONAL FACTORS, EXPORTS NORMALLY PICK UP IN THE SECOND HALF OF THE YEAR. WHETHER THE INCREASE WILL BE SUFFICIENT TO REACH THE \$10.0 BILLION TARGET REMAINS AN UNANSWERED QUESTION. GIVEN THE EXPECTED ACCELERATION IN THE GROWTH RATES OF MOST INDUSTRIAL

COUNTRIES DURING THE SECOND HALF OF 1975, HOWEVER,
IT NOW APPEARS LIKELY THAT BRAZILIAN EXPORTS IN
1975 WILL FALL WITHIN THE \$9.-9.5 BILLION RANGE
FORECAST BY THE EMBASSY EARLIER IN THE YEAR. ON THE
IMPORT SIDE, FOR THE TIME BEING THE AUTHORITIES
APPEAR TO BE SATISFIED WITH AN IMPORT LEVEL OF
ABOUT \$1.0 BILLION PER MONTH. SHOULD EXPORTS IN THE
COMING MONTHS NOT DO AS WELL AS EXPECTED, HOWEVER,
WE CAN EXPECT THEM TO FURTHER SQUEEZE IMPORTS TO
REACH THEIR TRADE DEFICIT TARGET OF \$2.5 BILLION
FOR 1975.
CRIMMINS

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